

Message Text

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ACTION IO-13

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INFO AMEMBASSY BUENOS AIRES

AMEMBASSY DACCA

AMEMBASSY YAOUNDE

AMEMBASSY NEW DELHI

AMEMBASSY JAKARTA

AMEMBASSY TOKYO

AMEMBASSY NAIROBI

AMEMBASSY LILONGWE

AMEMBASSY PORT LOUIS UNN

AMEMBASSY COLOMBO

AMEMBASSY LONDON

USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BUJUMBURA UNN

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TAGS: FAO, OCON, ETRD, EAGR

SUBJECT: FAO INTERGOVERNMENTAL GROUP ON TEA, APRIL 27-30, 1976.

SUMMARY: FAO INTERGOVERNMENTAL GROUP ON TEA (IGT) SESSION

CHARACTERIZED BY CONFLICTS BETWEEN GROWING AFRICAN PRODUCERS,

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MOST NOTABLY KENYA AND BURUNDI, AND INDIA, SRI LANKA AND THE UK.

UK SUPPORTED BY INDIA AND SRI LANKA AND MOST OTHER COMMONWEALTH COUNTRIES SOUGHT A NEGOTIATING CONFERENCE ON THE DRAFT UK TEA AGREEMENT. US JOINED AFRICANS IN LABELING UK PROPOSAL PREMATURE AND UNNECESSARY IN VIEW OF FAO PROJECTIONS THAT TEA WOULD NOT BE IN BURDENSOME SUPPLUS THROUGH 1985. MALAWI OFFERED COMPROMISE, WHICH CONFERENCE SUPPORTED CALLING FOR ANOTHER FAO IGT MEETING HOSTED BY UK TO DISCUSS POSSIBILITIES OF INTERNATIONAL ARRANGEMENTS ON TEA AND REVIEW OF UK PROPOSAL. SOLUTION REAFFIRMED IN FINAL CONFERENCE DOCUMENT WITHOUT SUBSTANTIAL DEBATE. SOLUTION SEEMS SATISFACTORY TO BOTH AFRICANS AND PROPONENTS OF AN AGREEMENT AND OFFER NO ACTION IN NEAR FUTURE, BUT A CONTINUATION OF DIALOGUE ON PROBLEMS FACING WORLD TEA ECONOMY. END SUMMARY.

1. PROMOTION MEETING AND REVIEW OF SHORT AND LONG TERM SUPPLY/DEMAND OUTLOOK RESULTED IN DISPUTES BETWEEN SMALL AFRICAN PRODUCERS AND LARGER ASIAN PRODUCERS OVER NEED FOR NEW PROMOTION ORGANIZATION AND DEGREE OF SURPLUS PRODUCTION RESPECTIVELY. SUB-GROUP OF EXPORTERS, WITH NOTABLE EXCEPTION OF KENYA, BURUNDI, RUANDA, UGANDA AND ARGENTINA, REJECTED FAO CONCLUSION IN DOCUMENT PREPARED FOR LONGER-TERM OUTLOOK WHICH CONCLUDED PRICES WOULD REMAIN REMUNERATIVE AND THERE WOULD BE A TENDENCY TO SUPPLY SHORTAGE THROUGH 1985. THE U.S. AND UK SPOKE IN FAVOR OF THE FAO CONCLUSIONS. MOST EXPORTERS UNHESITATINGLY OBJECTED TO THE FAO ECONOMIC ANALYSIS SINCE IT DID NOT SUPPORT THEIR DESIRE FOR A COMMODITY AGREEMENT FOR TEA.

2. DISCUSSION ON AGENDA ITEM 5 ON THE MULTI-DIMENSIONAL APPROACH TO PROBLEMS ON TEA FOCUSSED ON THE UK'S PROPOSAL FOR AN INTERNATIONAL TEA AGREEMENT BASED ON EXPORT QUOTAS. THE PROPOSAL WAS STRONGLY OPPOSED BY MOST AFRICAN AND A FEW OTHER PRODUCERS (AT THE INCEPTION OF UK PRESENTATION), AS WELL AS BY THE US AND FRG. INDIA AND SRI LANKA WERE THE TWO MAJOR PRODUCERS FAVORING THE PROPOSAL. US AND OTHER OPPOSING FACTIONS CITED NEED FOR FURTHER WORK AND A PRIOR PRODUCER CONSENSUS ON THE NEED FOR INTERNATIONAL ACTION. FAO'S CONCLUSIONS ON THE TEA SITUATION THROUGH 1985 HAD BEEN REJECTED BY THE SUB-GROUP OF EXPORTERS BASED ON THEIR ARGUMENT THAT IT DID NOT SUPPORT THE CONCLUSION THAT AN INTERNATIONAL AGREEMENT WAS NECESSARY, AND A REQUEST FOR A NEW STUDY WAS TABLED. UK INSISTED ON NEED FOR COMMODITY AGREEMENT AND A NEGOTIATING CONFERENCE AND ONE BY ONE COMMONWEALTH COUNTRIES CAME AROUND TO UNCLASSIFIED

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UK'S CONCEPTION AND EVEN THOSE WHO WERE NOT COMPLETELY SOLD DID AGREE TO THE NEED FOR SOME FORM OF AN ARRANGEMENT THAT MIGHT HAVE ALL THINGS FOR ALL COUNTRIES. KENYA ON THE PRODUCER'S SIDE REMAINED STRONGLY AGAINST IT WHILE LEBANON (REPRESENTING THE ARAB WORLD) AND FRG REPRESENTING IMPORTER'S SIDE, WERE MILDLY AGAINST IT, LENDING SOME SUPPORT TO THE US POSITION.

3. A LONG UNCTAD INTERVENTION ON A HIGHLY COMPLEX SCHEME FOR REGULATING THE TEA MARKET WAS USED BY SOME EXPORTERS AND IMPORTERS, INCLUDING THE US, AS ONE PRIME REASON WHY THE GROUP SHOULD NOT RUSH INTO A NEGOTIATING CONFERENCE AS PROPOSED BY THE UK, BECAUSE OF THE TIME NEEDED TO STUDY AND UNDERSTAND THE COMPLICATED UNCTAD PLAN.

4. THE U.S. SUPPORTED SEVERAL LEBANESE INTERVENTIONS CHIDING PRODUCERS FOR THE FACT THAT LOW QUALITY TEAS RECENTLY ENTERING THE MARKET UNNECESSARILY DEPRESSED ALL TEA PRICES, TO THE DETRIMENT OF ALL PRODUCERS. EVEN THE UK EVENTUALLY JOINED IN CALLING FOR REMEDIAL STEPS IN QUALITY CONTROL.

5. UK PERSISTED IN DEMAND FOR A NEGOTIATING CONFERENCE AGAINST KENYAN AND US PRESSURE. MALAWI OFFERED COMPROMISE EVENTUALLY ACCEPTABLE TO CONFERENCE WHICH CALLED FOR A FURTHER FAO IG ON TEA MEETING SPECIFICALLY TO DISCUSS LONG-TERM ARRANGEMENTS AND THE UK PROPOSAL. SUCH A MEETING, PROBABLY IN LATE 1976, WOULD BE PRECEDED BY A MEETING BY THE SUB-GROUP OF EXPORTERS, WHO WOULD SEEK A PRODUCER CONSENSUS ON NECESSARY ACTION. BOTH MEETINGS WOULD BE HELD CONSECUTIVELY IN LONDON, WITH HMG FOOTING THE EXTRA COSTS OF HOLDING THE SESSION AWAY FROM ROME. UK DEL CLAIMS THIS SATISFIES THEIR NEED FOR A CONFERENCE WITHOUT ACTUALLY REQUIRING INTERNATIONAL ACTION.

6. THE U.S. DEL POINTED OUT OUR FEELING THAT IT WAS PREMATURE TO CONSIDER A NEGOTIATING CONFERENCE OR THE POSSIBILITY OF ANY AGREEMENT, ESPECIALLY SINCE THERE IS NO EXPORTER CONSENSUS. WE NOTED THAT QUOTAS WERE NOT IN OUR VIEW THE ANSWER TO THE PROBLEM, IF INDEED A PROBLEM EXISTS IF FAO FORECASTS ARE CORRECT. WE ALSO NOTED INSUFFICIENT ATTENTION HAS BEEN GIVEN TO TRADE BARRIERS TO TEA. WE JOINED IN ACCEPTANCE OF MALAWI COMPROMISE ON HOLDING FAO SPONSORED DISCUSSIONS ON LONG-TERM ARRANGEMENTS, UNCLASSIFIED

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WHICH IN NO WAY COMMITS THE GROUP TO EITHER SPECIFIC ACTION OR TO HOLDING A NEGOTIATING CONFERENCE AS ORIGINALLY DEMANDED BY THE UK, INDIA AND SRI LANKA.

7. SECRETARIAT WILL PREPARE DOCUMENTATION FOR LONDON IG ON TEA MEETING, A DRAFT FLESHING OUT THE UK PROPOSAL FOR A STANDBY QUOTA ARRANGEMENT. ALTHOUGH THE DRAFT IS LIKELY TO BE THE CENTRAL POINT TO BE CONSIDERED IN THE NEXT FAO SESSION, IT SHOULD IN NO WAY PREORDAIN WHAT MAY EVENTUALLY BE DONE AND IN NO WAY COMMIT ANY GROUP OF PARTICIPANTS TO ANY COURSE OF ACTION. KENYA, FRG AND OTHERS JOINED US IN EXPRESSING THEIR DOUBTS ABOUT READINESS TO WORK OUT INTERNATIONAL TEA AGREEMENT.

8. U.S. DEL ALSO CITED FAO CONFERENCE EXHORTATION ON HOLDING DOWN NUMBER OF MEETINGS AND NOTED THAT IF NEW MEETING PARA

5 ABOVE HELD OUTSIDE OF FAO HEADQUARTERS, HOST GOVERNMENT
MUST FOOT ALL EXTRA COSTS.VOLPE

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